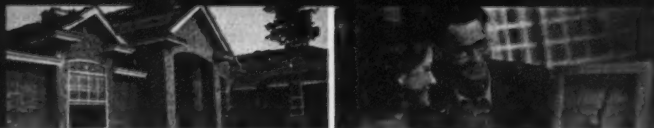


HOUSING NOW

Canada



Canada Mortgage and Housing Corporation

Date Released: January 2008

Canadian Market Overview

New Home Market

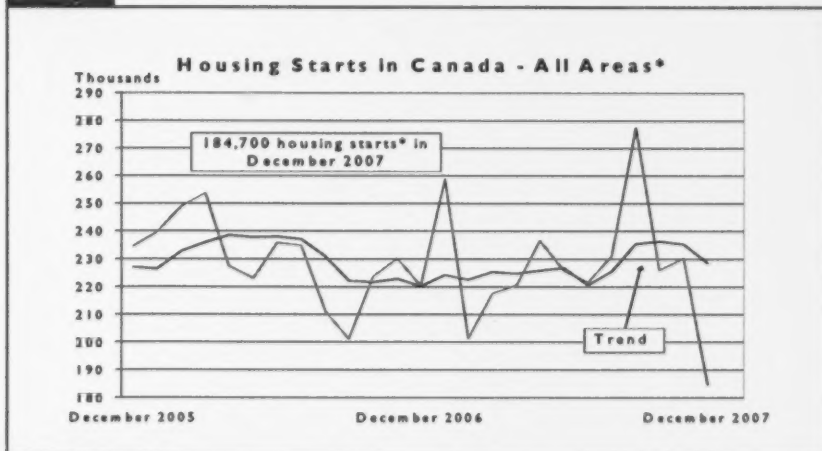
Housing starts reach their second highest level in nearly two decades despite cooling in December

Housing starts in 2007 are estimated to have reached 228,343 units, surpassing 2006 starts, and reaching their second highest level in nearly two decades. However, the season-

ally adjusted annual rate¹ of housing starts in December decreased to 184,700 units from November's 230,300 units.

Growth in 2007 housing starts was driven by low mortgage rates, solid employment, income growth and a high level of consumer confidence. Housing starts are expected to remain strong in 2008, but are forecast to decrease to 214,300 units.

Figure 1



Source: CMHC

* Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

¹ All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

Canada

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Both Urban singles and multiples down in December

Both multiple and single-detached starts fell in December mainly due to harsh winter weather. Also, the seasonally adjusted annual rate of urban starts decreased 23.1 per cent to 151,400 units in December, compared to November. Urban singles were down 12.6 per cent to 85,600 units in December, while multiple starts decreased 33.6 per cent to 65,800 units.

Urban starts fall in three out of five regions

In December, the seasonally adjusted annual rate of urban starts increased in two of Canada's five regions. Urban starts registered an increase of 3.4 per cent in Quebec and 1.2 per cent in the Atlantic region. British Columbia, Ontario and the Prairies all recorded a decline in activity for December (-36.7 per cent, -33.0 per cent, and -17.1 per cent, respectively). Urban single starts were down in all regions except the Atlantic and British Columbia, while only Quebec saw an increase in urban multiple starts.

Rural starts were estimated at a seasonally adjusted annual rate of 33,300 units in December.

Actual starts were slightly higher in 2007 than in 2006

For the year 2007, actual starts, in rural and urban areas combined, increased by an estimated 0.4 per cent compared to 2006. In urban areas, actual total starts in 2007 decreased by an estimated 0.7 per cent. Actual urban single starts for 2007 were down 3.5 per cent compared to 2006, while multiple starts grew an estimated 2.0 per cent in 2007 compared to 2006.

Growth in new house prices held steady in November

The year-over-year increase in the price of new homes, as measured by the New Housing Price Index (NHPI), remained unchanged in November compared to October at 6.1 per cent. This was the 15th consecutive month in which the growth in the NHPI has not increased.

The strongest increases in the NHPI continue to be in the western centres. In November 2007, the year-over-year increase in the NHPI was 47.9 per cent in Saskatoon, 28.2 per cent in Regina, 21.7 per cent in Edmonton, and 15.4 per cent in Winnipeg. Windsor remained the only centre where the index decreased on a year-over-year basis.

Existing Home Market

MLS[®]¹ sales reached a new record in 2007

Seasonally adjusted MLS[®] (Multiple Listing Service[®]) sales decreased by 3.5 per cent to 41,079 units in December 2007, compared to 42,563 units in November 2007.

For the first time ever, actual MLS[®] sales surpassed half a million units in 2007. MLS[®] sales were up 7.6 per cent to 520,747 units compared to 2006.

MLS[®] new listings were down in December

Seasonally adjusted MLS[®] new listings were down by 5.2 per cent to 67,682 units in December 2007, compared to 71,367 units in the previous month.

Actual new listings were up 5.5 per cent in 2007 compared to 2006.

¹Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

Sellers' market conditions across Canada continue, but the trend is moving towards more balanced markets

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio¹. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new-listings ratio for Canada remained in sellers' market territory at 60.7 per cent for December, up from November's 59.6 per cent. Sellers' market conditions continue to support strong growth in house prices, but the trend is a slow move toward balanced markets.

For 2007 as a whole, the Canada-wide average MLS® price was 11.0 per cent higher compared to 2006.

Economic conditions

Employment edged down by 18,700 jobs in December. Nevertheless, the job market was fairly strong in 2007 as more than 382,000 new jobs were created. Employment in 2007 was up by 2.3 per cent compared to 2006. More than three quarters of the new jobs were full-time jobs. The province of Alberta recorded the largest growth with an increase of 4.7 per cent.

December's employment rate was down 0.1 percentage point from the all-time high of 63.8 per cent registered the

previous month. This high rate of employed Canadians continues to help support consumer confidence and strong demand in the housing market.

Canada's unemployment rate remained unchanged at 5.9 per cent in December.

Following a first decrease of 25 basis points in December, the Bank of Canada lowered its target for the overnight lending rate by another 25 basis points to 4.00 per cent on January 22nd. According to the Bank, the domestic demand is expected to remain strong, but financial market issues and economic conditions south of the border have worsened since October. This, in conjunction with a strong Canadian dollar, is expected to be a drag on Canada's economy. Because of this, it is expected that economic growth will be more moderate and thus inflation will remain near the target of 2 per cent in the near term.

In December, the price of goods and services included in the Consumer Price Index (CPI) basket increased by 2.4 per cent compared to the same month in 2006. High gasoline prices and mortgage interest costs were responsible for most of the increase. ■

Figure 2



Data are seasonally adjusted and annualized

Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

¹ Taking the Canadian market as a whole, a sales-to-new-listings ratio below 35 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 50 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

A wind of homeownership has blown all across Canada

According to the 2006 Census data released by Statistics Canada, a wind of homeownership has blown all across the country between 2001 and 2006, which is confirmed by the CMHC housing starts survey.

The homeownership rate, as calculated as a percentage of households who own a home compared to the total number of households in a specific area, has improved in all provinces and all Canadian census metropolitan areas (CMAs) between 2001 and 2006. As a result, the proportion of renters among households has decreased by almost the same amount in these areas¹.

On average, the homeownership rate has increased by 2.6 per cent to 68.4 per cent in Canada between 2001 and 2006. The largest increases were registered in British Columbia (3.4 per cent to 69.7 per cent), Ontario (3.2 per cent to 71.0 per cent) and Alberta (2.7 per cent to 73.1 per cent). Only Newfoundland and Labrador registered an increase below 1 per cent to 78.7 per cent. As for the home ownership rate, Quebec remained the only province with a rate below the Canadian average (60.1 per cent

**Table 1 : Homeownership Rate by CMA
(Census 2006/2001)**

(%)	2006	2001	Diff.
Barrie	80.7	77.3	3.4
Oshawa	78.6	75.6	3.0
Kelowna	77.3	73.5	3.8
St. Catharines	74.6	73.2	1.4
Windsor	74.3	71.8	2.5
Calgary	74.1	70.6	3.5
Brantford	73.7	66.8	6.9
Abbotsford	73.5	71.1	2.4
Thunder Bay	72.9	71.9	0.9
Peterborough	72.6	71.6	1.0
Hamilton	71.6	68.3	3.3
St. John's	71.5	69.5	2.1
Guelph	71.1	68.4	2.8
Moncton	70.1	68.6	1.5
Regina	70.1	68.2	1.9
Saint John	70.0	67.4	2.6
Kitchener	69.8	66.7	3.1
Edmonton	69.2	66.3	3.0
Canada	68.4	65.8	2.6
Toronto	67.6	63.2	4.4
Gatineau	67.5	62.4	5.2
Kingston	67.4	63.9	3.5
Winnipeg	67.2	65.5	1.7
Sudbury	66.9	65.8	1.1
Saskatoon	66.8	65.0	1.9
Ottawa	66.7	61.4	5.3
London	65.9	62.8	3.1
Vancouver	65.1	61.0	4.1
Victoria	64.7	63.1	1.6
Halifax	64.0	61.7	2.2
Saguenay	63.3	62.3	1.0
Québec	58.6	55.5	3.1
Trois-Rivières	57.6	57.3	0.3
Sherbrooke	53.5	52.8	0.6
Montréal	53.4	50.2	3.2

Source: Statistics Canada

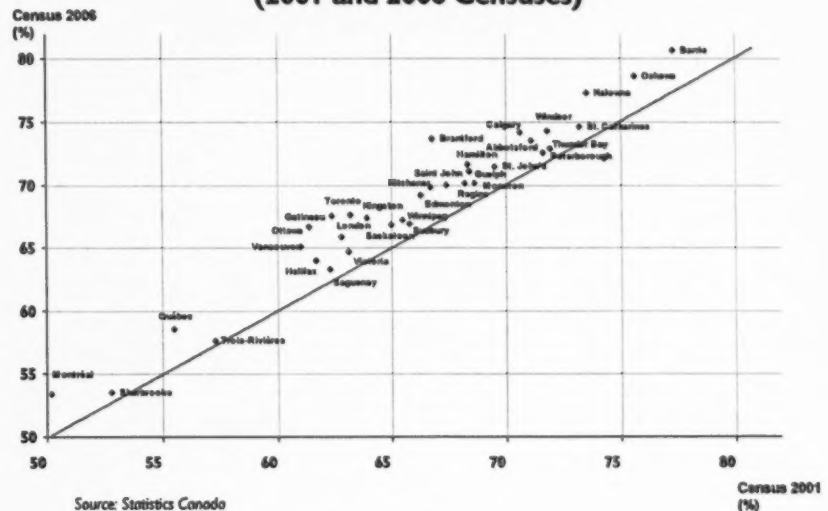
¹ Statistics Canada separates the tenure of households between households who own a house, rent a dwelling or live in band housing. This latter type of tenure remains marginal in Canada as it concerns less than 0.5 % of households except in Yukon Territory (5.7 %), Saskatchewan (2.6 %), Manitoba (2.6 %) and Northwest Territories (1.0 %).

compared to a Canadian average of 68.4 per cent in 2006).

Between the two censuses, the home ownership rate has increased by less than 1 per cent in Trois-Rivières (0.3 per cent), Sherbrooke (0.6 per cent), Thunder Bay (0.9 per cent) and by more than 5 per cent in Gatineau (5.2 per cent), Ottawa (5.3 per cent), and Brantford (6.9 per cent). These last three centres, along with Toronto which registered an increase of 4.4 per cent, have notably improved their rank in the classification of centres according to their home ownership rate.

However, the ranking of most other Canadian centres has not changed much between the last two censuses. Kelowna, Oshawa and Barrie remain the top centres for homeowner households as more than three quarters of households in these centres owned their dwellings in 2006 (see graph I and table I). At the opposite end of the spectrum, Quebec centres, with the exception of Gatineau and Saguenay were the only centres where less than 6 households out of ten were homeowners in 2006. The high proportion of renters in these centres is partially explained by the fact that the cost of renting in terms of number of hours of work

**Graph I : Homeownership Rates by Major Centres
(2001 and 2006 Censuses)**



**Table II : Homeownership Rate by Province
(Census 2006/2001)**

(%)	2006	2001	Diff.
Newfoundland and Labrador	78.7	78.2	0.5
New Brunswick	75.5	74.5	1.0
Prince Edward Island	74.1	73.1	1.0
Alberta	73.1	70.4	2.7
Nova Scotia	72.0	70.8	1.2
Saskatchewan	71.8	70.8	1.0
Ontario	71.0	67.8	3.2
British Columbia	69.7	66.3	3.4
Manitoba	68.9	67.8	1.1
Canada	68.4	65.8	2.6
Québec	60.1	57.9	2.2

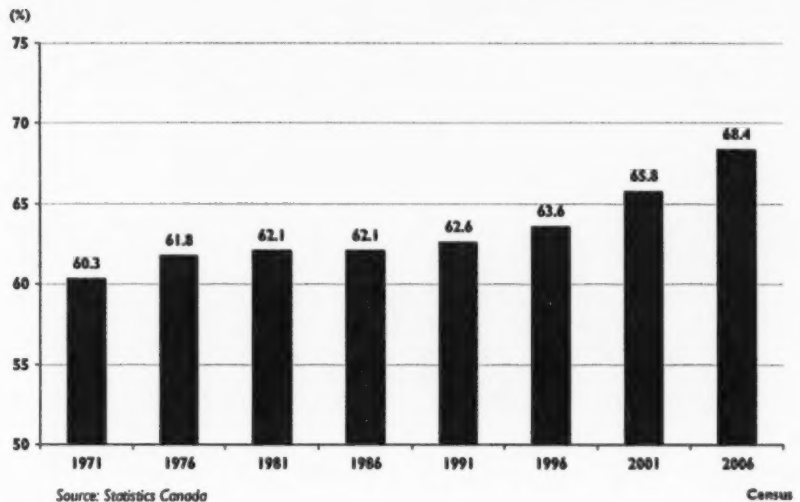
Source: Statistics Canada

tended to be lower in Quebec centres compared to other Canadian centres in recent years².

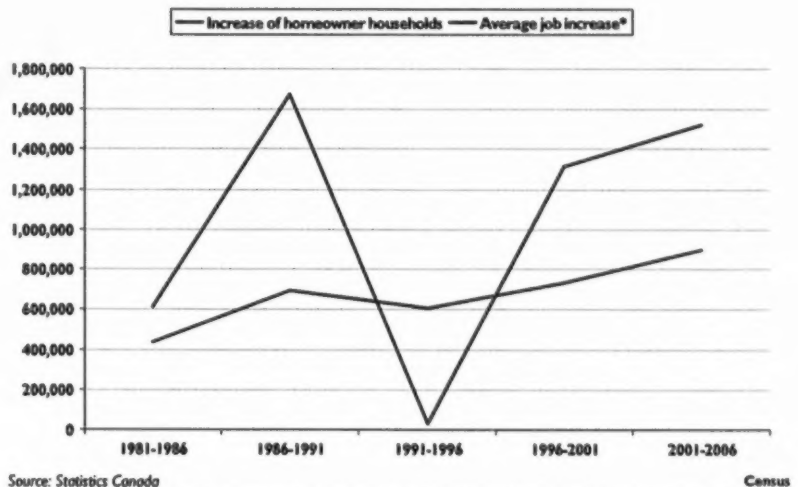
Since the 1971 census, the home ownership rate has been trending up in Canada, moving from 60.3 per cent in 1971 to 68.4 per cent in 2006 (see graph II). However, the rate increase was not constant from one census to another, and the largest increase of the Canadian average rate (2.6 per cent) was registered between the last two censuses. The provinces of Nova Scotia and British Columbia also recorded their highest increase in their home ownership rates since 1971 between the 2001 and 2006 censuses. At the CMA level, Gatineau, Ottawa, Kingston, Hamilton, London, Abbotsford, and Vancouver, also recorded larger gains between the 2001 and 2006 censuses.

Multiple factors are responsible for the various increases of the homeownership rate. A strong labour market favours the creation of households (noticeably among young workers) and helps households to become homeowners as they get more confident and secure financially. As shown in graph III, an increase in the job creation number between censuses is

Graph II : Average Home Ownership Rate in Canada



Graph III: Jobs and Homeownership are Correlated



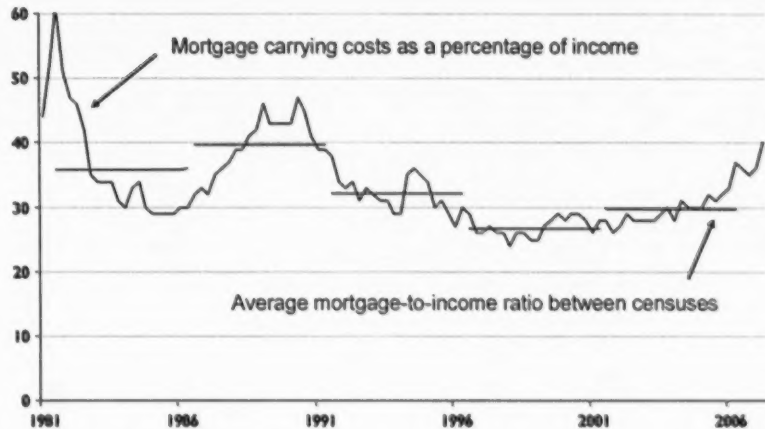
* A lag of a year and a half was used for the average net new jobs to show the correlation between job creation and the new homeowner households.

² For more information on the cost of renting or owning in terms of number of hours of work, please consult the «Punching the clock» articles published in the April 2006 and May 2007 issues of Housing Now Canada.

positively correlated with an increase in the number of new homeowners between the same censuses. Declining mortgage rates and rising incomes have also resulted in low mortgage carrying costs as a percentage of income between the last three censuses (see graph IV). This in turn favoured home ownership demand.

Also contributing to the increase in the home ownership rate are condominiums. This is partly due to lifestyle choices of some households, like baby boomers who once they become empty nesters, need less space and prefer homes requiring limited maintenance, or because condominium units represent a cheaper option than regular homeowner dwellings for first-time-buyer households. For 19 of the 34 major Canadian centres, the growth registered for condominium starts was stronger than the one recorded for traditional home ownership dwellings between the 2001-2006 census period compared to the 1996-2001 census period. ■

Graph IV: Low Mortgage-to-Income Ratios Have Favoured Home Ownership Since the 1991 Census



Source: Statistics Canada, CREA

This Month's Housing Data (SAAR)

	2007	Q2: 07	Q3: 07	Q4: 07	M10: 07	M11: 07	M12: 07
Housing starts, units, 000s							
Canada. Total. All areas	228.3	227.5	243.7	214.0	226.0	230.3	184.7
Per cent change from previous period	0.4	0.8	7.1	-12.2	-18.5	1.9	-19.8
Canada. Total. Rural areas	34.6	33.1	36.4	33.3	33.3	33.3	33.3
Per cent change from previous period	6.9	-8.6	10.0	-8.5	-8.5	0.0	0.0
Canada. Total. Urban areas	193.7	194.4	207.3	180.7	192.7	197.0	151.4
Per cent change from previous period	-0.7	2.5	6.6	-12.8	-20.0	2.2	-23.1
Canada. Single. Urban areas	90.9	90.5	92.3	90.5	87.7	97.9	85.6
Per cent change from previous period	-3.5	3.5	2.0	-2.0	-2.1	11.6	-12.6
Canada. Multiple. Urban areas	102.9	103.9	115.0	90.2	105.0	99.1	65.8
Per cent change from previous period	2.0	1.7	10.7	-21.6	-30.6	-5.6	-33.6
Newfoundland. Total. All areas	2.6	2.3	2.6	3.0	2.8	3.3	2.9
Per cent change from previous period	18.6	-8.0	13.0	15.4	0.0	17.9	-12.1
Prince Edward Island. Total. All areas	0.8	0.7	0.8	0.8	0.6	1.1	0.6
Per cent change from previous period	1.6	40.0	14.3	0.0	-25.0	83.3	-45.5
Nova Scotia. Total. All areas	4.8	4.1	5.0	4.7	5.5	4.1	4.4
Per cent change from previous period	-3.0	-19.6	22.0	-6.0	1.9	-25.5	7.3
New Brunswick. Total. All areas	4.2	4.2	4.8	4.1	3.8	3.8	4.5
Per cent change from previous period	3.8	16.7	14.3	-14.6	-22.4	0.0	18.4
Quebec. Total. All areas	48.6	50.8	54.9	40.3	43.5	38.1	39.2
Per cent change from previous period	1.4	5.4	8.1	-26.6	-34.6	-12.4	2.9
Ontario. Total. All areas	68.1	67.9	73.3	64.7	67.4	74.9	51.7
Per cent change from previous period	-7.2	2.6	8.0	-11.7	-20.1	11.1	-31.0
Manitoba. Total. All areas	5.7	5.6	5.8	5.5	6.8	5.2	4.6
Per cent change from previous period	14.1	-8.2	3.6	-5.2	21.4	-23.5	-11.5
Saskatchewan. Total. All areas	6.0	6.6	6.7	5.6	5.7	5.7	5.0
Per cent change from previous period	61.7	32.0	1.5	-16.4	-9.5	0.0	-12.3
Alberta. Total. All areas	48.3	48.1	50.3	43.0	47.4	43.6	37.9
Per cent change from previous period	-1.3	-5.5	4.6	-14.5	-16.8	-8.0	-13.1
British Columbia. Total. All areas	39.2	37.2	39.5	42.3	42.5	50.5	33.9
Per cent change from previous period	7.6	-1.3	6.2	7.1	-2.5	18.8	-32.9

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)

	2007	Q2: 07	Q3: 07	Q4: 07	M10: 07	M11: 07	M12: 07
Newfoundland. Total. Urban areas	1.8	1.5	1.9	2.0	1.8	2.3	1.9
Prince Edward Island. Total. Urban areas	0.5	0.5	0.5	0.6	0.4	0.9	0.4
Nova Scotia. Total. Urban areas	3.3	2.7	3.5	3.2	4.0	2.6	2.9
New Brunswick. Total. Urban areas	3.0	2.8	3.6	3.0	2.7	2.7	3.4
Quebec. Total. Urban areas	40.9	42.7	46.6	34.2	37.4	32.0	33.1
Ontario. Total. Urban areas	62.8	62.1	67.3	60.1	62.8	70.3	47.1
Manitoba. Total. Urban areas	3.8	3.9	4.1	3.3	4.6	3.0	2.4
Saskatchewan. Total. Urban areas	4.8	5.4	5.3	4.5	4.6	4.6	3.9
Alberta. Total. Urban areas	38.5	39.7	39.3	32.8	37.2	33.4	27.7
British Columbia. Total. Urban areas	34.4	33.1	35.2	37.0	37.2	45.2	28.6

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2007	Q2: 07	Q3: 07	Q4: 07	M10: 07	M11: 07	M12: 07
New Housing							
New & unoccupied singles & semis, units 000s	6.0	6.1	5.5	6.2	6.0	6.2	6.3
Per cent change from same period previous year	16.1	21.6	10.1	8.1	8.3	7.5	8.6
New & unoccupied row & apartments, units 000s	8.6	7.9	8.7	9.1	9.2	8.9	9.4
Per cent change from same period previous year	3.0	-3.2	9.5	1.5	10.3	-2.2	-2.7
New House Price Index, 1997=100	n.a.	151.9	155.0	n.a.	155.7	156.5	n.a.
Per cent change from same period previous year	n.a.	8.4	6.8	n.a.	6.1	6.1	n.a.

Existing Housing

MLS® resales*, units 000s	520.7	537.6	519.0	503.2	505.9	510.8	492.9
Per cent change from same period previous year	7.6	12.0	9.4	3.1	5.5	6.5	-2.4
MLS® average resale price**, \$C 000s	307.3	303.2	311.7	319.7	313.8	319.6	325.7
Per cent change from same period previous year	11.0	9.6	11.9	12.4	10.9	11.8	14.7

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	6.90	6.83	7.05	7.27	7.25	7.20	7.35
Posted 5-Year Mortgage Rate, % (period average)	7.07	7.01	7.22	7.46	7.44	7.39	7.54

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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